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TENTATIVE FINDINGS OF FACT

I.

RESPONDENTS

1. **BMD ENTERPRISES, LTD.** (“BMD Enterprises”) is a Canadian corporation whose stock is traded on the Vancouver Stock Exchange. BMD Enterprises’ principal place of business is 405 – 889 West Pender Street, Vancouver, BC V6C 3B2. BMD Enterprises purports to invest in businesses that develop new products and concepts.

BMD Enterprises’ subsidiaries are, among others, Good Pace, Inc. (“Good Pace”) and BMD Motors, Ltd. (formerly BMD Reliant Motors, Ltd.). BMD Motors, Ltd. has two subsidiaries known as BMD Technology, Ltd. (formerly BMD Good Pace Technology, Ltd., formerly BMD Communications, Ltd.) and Mini Motors, Inc. (also formerly BMD Reliant Motors, Ltd.).

Good Pace purports to develop, manufacture, and market a variety of electric vehicles. BMD Motors, Ltd. is a private British Columbia corporation purportedly engaged in the design, development, and commercialization of automotive technologies. BMD Technology, Ltd. is a British Columbia corporation, which purportedly conducts research and development for the fuel cell drive system and owns some of the technology for the electric vehicles. Mini Motors, Inc. (“Mini Motors”) is a Washington corporation purportedly engaged in developing, producing, and commercializing specialty automobiles.

2. **RONALD M. TOPPING** (“Topping”) was the president of BMD Enterprises, Ltd. at all times relevant to the matters set forth herein. Topping resides in British Columbia, Canada.

3. **NORTHWEST EAGLE, INC.** (“Northwest Eagle”) is a Washington corporation that purports to have the “exclusive” right in the United States to market, sell, and distribute electric vehicles produced by Good Pace. Northwest Eagle obtains investor funds for BMD Enterprises and its subsidiaries, including Good Pace and Mini Motors. Northwest Eagle’s principal place of business was at 1513 Central Ave., College Place, WA at all times relevant herein.

4. **RELIANT OF AMERICA, INC.** (“Reliant of America”) is a Washington corporation that also purports to have the “exclusive” right in the United States to market, sell, and distribute electric vehicles produced by

1 Good Pace. Reliant of America also obtains investor funds for BMD Enterprises and its subsidiaries, including Good
2 Pace and Mini Motors. Reliant of America's principal place of business was at 1513 Central Ave., College Place, WA
3 at all times relevant herein.

4 5. **NORTHWEST RELIANT, INC.** ("Northwest Reliant") is a Washington corporation that purports to
5 be a wholly-owned subsidiary company of Northwest Eagle and Reliant of America. Northwest Reliant was purportedly
6 formed to finance Mini Motors. Northwest Reliant's principal place of business was at 1513 Central Ave., College
7 Place, WA at all times relevant herein.

8 6. **ROGER A. CHINN** ("R. Chinn") has been the president and chairman of the board of Northwest
9 Eagle, the president of Reliant of America, and the president of Northwest Reliant. R. Chinn was also a director of
10 BMD Reliant Motors, Ltd., currently known as BMD Motors, Ltd. R. Chinn resides at 1513 Central Ave., College
11 Place, WA, which is the principal place of business of Northwest Eagle, Reliant of America, and Northwest Reliant.

12 7. **E. ARLENE CHINN** ("A. Chinn") has been the secretary and treasurer of Northwest Eagle, the
13 secretary, treasurer, and president of Reliant of America, and the secretary for Northwest Reliant. A. Chinn also resides
14 at 1513 Central Ave., College Place, WA, which is the principal place of business of Northwest Eagle, Reliant of
15 America, and Northwest Reliant.

16 8. **DONALD M. VORIES** ("Vories") was an agent of Northwest Eagle with respect to the matters set
17 forth herein. Vories resides at 1435 Central St., College Place, WA.

18 **II.**

19 **INTRODUCTION**

20 Beginning in March 1994 and continuing through July 1998, Northwest Eagle, Reliant of America,
21 Northwest Reliant, and BMD Enterprises, through their agents, including R. Chinn, A. Chinn, and Vories, obtained
22 more than \$3,000,000 from more than 300 investors, at least 100 of whom were Washington residents. These funds
23 were raised by selling Northwest Eagle stock, Reliant of America stock, BMD Enterprises stock and warrants, and
24 Northwest Reliant promissory notes.

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2 **III.**

3 **THE OFFERING BY NORTHWEST EAGLE, RELIANT OF AMERICA, AND BMD ENTERPRISES**

4 **A. SALES OF UNREGISTERED SECURITIES**

5 **1. Sales of Unregistered Northwest Eagle Securities**

6 Between March 1994 and July 1998, Northwest Eagle, R. Chinn, A. Chinn, and Vories collectively sold more
7 than \$2,000,000 in Northwest Eagle stock and BMD Enterprises stock and warrants to more than 250 investors, at
8 least 100 of whom are Washington residents. In addition, Northwest Eagle and R. Chinn also sold royalty interests to
9 at least eight Washington investors as part of the investment between at least March 1995 and March 1996. At all
10 times relevant herein, the offers and sales of all securities by Northwest Eagle were not registered with the Securities
11 Division. Although Northwest Eagle filed two claims of exemption from securities registration with the Securities
12 Division, Northwest Eagle did not comply with all conditions of those exemptions, and therefore, the securities
13 offered and sold in this offering were not exempt from securities registration.

14 **a. Rule 504 Claim of Exemption from Securities Registration**

15 During February 1994, Northwest Eagle filed a claim of exemption from securities registration to sell its
16 stock pursuant to WAC 460-44A-504 ("Rule 504") with the Securities Division. This claim of exemption became
17 effective February 18, 1994. The claim of exemption filed by Northwest Eagle stated that Northwest Eagle was
18 conducting a \$250,000 offering and would sell 2,500,000 shares of its stock for ten cents per share. This claim of
19 exemption did not include offers and sales of Northwest Eagle royalty interests or BMD Enterprises stock and
20 warrants.

21 Rule 504 permits an offering of securities if certain conditions are satisfied. Northwest Eagle did not comply
22 with the conditions of the exemption. First, Rule 504 prohibits payment of commissions, fees, or other remuneration,
23 directly or indirectly, to any person for soliciting prospective Washington purchasers. Northwest Eagle compensated
24 individuals for soliciting prospective Washington purchasers of its stock during the offering. Second, with respect to

1 all sales to Washington non-accredited investors one of the following conditions must be satisfied: (a) the investment
2 be suitable; (b) the purchasers have such knowledge and experience in financial and business matters that the
3 purchaser is capable of evaluating the merits and risks of the investment; or (c) Northwest Eagle and its agents have
4 reasonable grounds to believe and after making reasonable inquiry shall believe that, as to each purchaser, (a) or (b)
5 is satisfied. Northwest Eagle failed to satisfy any of these conditions with respect to some non-accredited
6 Washington investors. Third, Northwest Eagle failed to restrict its stock. Finally, Rule 504 limits the aggregate
7 offering price to \$500,000 within a twelve-month period. Northwest Eagle exceeded this \$500,000 limit. Because
8 Northwest Eagle did not comply with all conditions of Rule 504, the securities offered and sold in this offering were
9 not exempt from registration.

10 **b. Rule 506 Claim of Exemption from Securities Registration**

11 In March 1996, Northwest Eagle filed a claim of exemption from securities registration pursuant to WAC
12 460-44A-506 (“Rule 506”) with the Securities Division. The exemption filing did not state any offering amount in
13 which Northwest Eagle intended to sell its securities under the Rule 506 exemption. The filing only stated dollar
14 amounts for securities that had already been sold and that those proceeds were used to purchase BMD Enterprises
15 stock and warrants.

16 Notwithstanding the filing of a Rule 506 claim of exemption, Northwest Eagle did not comply with the
17 conditions of the Rule 506 exemption. First, at the time of the Rule 506 filing, Northwest Eagle was required to file
18 the Rule 506 notice no later than ten business days prior to receipt of consideration or delivery of a signed
19 subscription agreement by a Washington investor. Northwest Eagle did not comply with this requirement. Second,
20 the Rule 506 exemption restricts sales of securities to no more than 35 non-accredited investors who must be
21 sophisticated in that they must have such knowledge and experience in financial and business matters that they are
22 capable of evaluating the merits and risks of the investment. Northwest Eagle, R. Chinn, and A. Chinn sold securities
23 to some non-accredited investors who were not sophisticated and Northwest Eagle, R. Chinn, and A. Chinn had no
24 basis to reasonably believe that they were sophisticated. Third, Northwest Eagle, R. Chinn, and A. Chinn did not

1 provide non-accredited investors financial statements for Northwest Eagle, including audited balance sheets, or other
2 offering materials as required by the Rule 506 exemption. Because Northwest Eagle did not comply with all
3 conditions of Rule 506, the securities offered and sold in this offering were not exempt from registration.

4 **2. Misleading and/or False Filing by Northwest Eagle**

5 On or about May 4, 1995, Northwest Eagle and A. Chinn filed an amendment to the February 1994 Rule 504
6 filing. This amendment stated that the aggregate offering price was \$250,000 and that \$190,000 of the offering had
7 been sold. In fact, Northwest Eagle had sold more than \$370,000 in its stock before Northwest Eagle filed the
8 amendment. Northwest Eagle also stated in its Rule 504 amendment filing that “no commissions, or similar
9 remuneration are paid” for solicitation of purchasers in connection with sales of securities in the offering. In fact,
10 commissions were paid. E. Arlene Chinn, as secretary and treasurer of Northwest Eagle, signed the amended filing.

11 **3. Sales of Unregistered Reliant of America Securities**

12 Between October 1995 and June 1997, Reliant of America, R. Chinn, and A. Chinn sold more than \$900,000
13 in Reliant of America stock and BMD Enterprises stock and warrants to more than 60 investors, at least 5 of whom
14 are Washington residents. At all times relevant herein, the offer and sale of all securities by Reliant of America was
15 not registered with the Securities Division. Although Reliant of America filed a claim of exemption from securities
16 registration with the Securities Division, Reliant of America did not comply with all conditions of the exemption it
17 claimed, and therefore, the securities offered and sold in this offering were not exempt from securities registration.

18 **Rule 504 Claim of Exemption from Securities Registration**

19 During June 1994, Electric Vehicles, Inc., currently Reliant of America, filed a claim of exemption from
20 securities registration pursuant to WAC 460-44A-504 (“Rule 504”) with the Securities Division. The claimed Rule
21 504 exemption filed by Electric Vehicles, Inc. stated that it was conducting a \$250,000 offering and would sell
22 2,500,000 shares of its stock for ten cents per share. Although this claim of exemption became effective on or about
23 June 28, 1994, Reliant of America did not begin selling its stock until October 1995. This claim of exemption did not
24 include sales of BMD Enterprises stock and warrants.

1 Rule 504 permits an offering of securities if certain conditions are satisfied. However, Reliant of America
2 did not comply with these conditions. First, with respect to all sales to Washington non-accredited investors one of
3 the following conditions must be satisfied: (a) the investment is suitable, (b) the purchaser has such knowledge and
4 experience in financial and business matters that the purchaser is capable of evaluating the merits and risks of the
5 investment, or (c) Northwest Eagle and its agents have reasonable grounds to believe and after making reasonable
6 inquiry shall believe that, as to each purchaser, (a) or (b) is satisfied. Reliant of America failed to satisfy any of these
7 conditions with respect to some non-accredited Washington investors. Second, Reliant of America failed to restrict
8 its stock. Third, Rule 504 limits the aggregate offering price to \$500,000 within a twelve-month period. Reliant of
9 America exceeded this \$500,000 limit. Because Reliant of America did not comply with all conditions of Rule 504,
10 the securities offered and sold in this offering were not exempt from registration.

11 **4. Sales of Unregistered BMD Enterprises Securities**

12 BMD offered and sold its stock and warrants to Washington investors through its agents, Northwest Eagle
13 and Reliant of America, under the auspices of "Private Placement" transactions whereby shares of BMD Enterprises
14 stock and warrants were parked for about one year with Northwest Eagle and Reliant of America and thereafter
15 distributed to investors. As Northwest Eagle and Reliant of America received funds from investors, Northwest Eagle
16 and Reliant of America transferred most of the investor funds to BMD Enterprises or Good Pace. With each infusion
17 of investor funds between March 1994 and July 1998, Good Pace generally paid commissions to Northwest Eagle
18 and Reliant of America equal to 30% to 40% of the funds invested. In exchange for investor funds, Northwest Eagle
19 and Reliant of America received shares of BMD Enterprises stock and warrants. Northwest Eagle and Reliant of
20 America generally received units consisting of one share of the BMD Enterprises stock and one non-transferable
21 warrant in "Private Placement" transactions between Northwest Eagle or Reliant of America and BMD Enterprises.
22 According to the terms of the "Private Placement" transaction, Northwest Eagle and Reliant of America could not
23 transfer or trade the BMD Enterprises stock for one year. Northwest Eagle and Reliant of America were supposed to

1 distribute the BMD Enterprises stock to Washington investors about one year after each “Private Placement”
2 transaction.

3 Between August 1994 and December 1998, BMD Enterprises issued more than 21,150,000 units (one share
4 of BMD Enterprises stock and one non-transferable warrant) to Northwest Eagle and Reliant of America through
5 approximately eleven of these “Private Placement” transactions, which was more than 40% of BMD Enterprises’
6 total issued and outstanding common shares as of March 31, 1999.

7 At all times relevant herein, the offers and sales of all BMD Enterprises securities were not registered with
8 the Securities Division and no exemption from securities registration was filed with the Securities Division.

9 **B. REPRESENTATIONS DURING THE OFFERING**

10 R. Chinn and A. Chinn began selling Northwest Eagle stock in March 1994 and BMD Enterprises stock and
11 warrants beginning at least in March 1995. R. Chinn and A. Chinn began selling Reliant of America stock in October
12 1995. R. Chinn and A. Chinn continued to sell Reliant of America stock until June 1997 and Northwest Eagle stock
13 and BMD Enterprises stock and warrants until July 1998. R. Chinn and A. Chinn used substantially the same offering
14 materials to solicit investor funds. They also used the entity names, Northwest Eagle and Reliant of America,
15 interchangeably.

16 Beginning in March 1994, Northwest Eagle, R. Chinn, and A. Chinn represented to Washington investors that
17 investor funds would be used to produce electric cart-style vehicles called the Eagle and Double Eagle for the
18 handicapped. Northwest Eagle and R. Chinn led Washington investors to believe that Northwest Eagle owned the
19 electric vehicles. At that time, Northwest Eagle and R. Chinn were as selling Northwest Eagle stock for ten cents per
20 share. Northwest Eagle, R. Chinn, or A. Chinn gave investors receipts reflecting their investment transactions.

21 Northwest Eagle, R. Chinn, and A. Chinn then represented to Washington investors that investor funds would
22 be used to (1) purchase BMD Enterprises stock and warrants in a “Private Placement” transaction; and (2) to
23 purchase the “exclusive marketing rights” to market and sell electric vehicles in the United States from Good Pace.
24 Good Pace, a subsidiary of BMD Enterprises since September 1994, designed and produced the Eagle and Double

1 Eagle. Northwest Eagle and R. Chinn represented to Washington investors that BMD Enterprises stock and warrants
2 would be delivered to investors in one year based on the amount of money they invested. Northwest Eagle, R. Chinn,
3 or A. Chinn gave investors receipts reflecting their investment transactions.

4 In October 1994, Northwest Eagle entered into a marketing agreement with Good Pace. According to the
5 terms of this agreement, Northwest Eagle paid \$150,000 to BMD Enterprises in exchange for the “exclusive” rights
6 to market, sell, and distribute Good Pace electric vehicles and BMD Enterprises stock and warrants through a
7 “Private Placement” transaction.

8 Having purchased the marketing rights from Good Pace, Northwest Eagle represented to Washington
9 investors at least beginning in September 1995 that investor funds would be used to commence marketing and
10 distribution of Good Pace electric vehicles. These electric vehicles included the Scat About and Reliant import in
11 addition to the Eagle vehicles. The Scat About was a stand-up electric vehicle. The Reliant import was a three-
12 wheel vehicle that Good Pace would retrofit with an electric drive system. Northwest Eagle and R. Chinn
13 represented to Washington investors that it was offering its stock for ten cents per share and that, as part of the
14 investment, investors would receive BMD Enterprises stock and warrants. Northwest Eagle and R. Chinn
15 represented to Washington investors that BMD Enterprises stock would be delivered about one year after the
16 investment and that the number of BMD Enterprises stock and warrants to be delivered would be based on the
17 amount of money invested. Northwest Eagle, R. Chinn, and A. Chinn gave investors receipts or stock allocation
18 forms reflecting their investment transactions.

19 Beginning in March 1995 and continuing through at least March 1996, Northwest Eagle also sold product
20 royalty interests as part of the investment that also included Northwest Eagle stock and BMD Enterprises stock and
21 warrants. The promised royalties varied between at least \$10 and \$500 per vehicle sold, depending on the size of the
22 investment, until the initial investment was recovered. Thereafter, investors were to receive at least between \$5 and
23 \$250 per vehicle sold until 2015. Investors have not received any royalties to date.

1 From October 1995 to January 1996, R. Chinn and A. Chinn suspended sales of Northwest Eagle stock and
2 began selling Reliant of America stock. Reliant of America and R. Chinn represented to Washington investors that it
3 was offering its stock for ten cents per share and that, as part of the investment, investors would receive BMD
4 Enterprises stock and warrants. Reliant of America and R. Chinn represented to Washington investors that BMD
5 Enterprises stock would be issued upon completion of a \$250,000 "Private Placement" by Northwest Eagle and that
6 the number of BMD Enterprises stock and warrants to be delivered would be based on the amount of money invested.
7 Reliant of America, R. Chinn, and A. Chinn gave investors receipts or stock allocation forms reflecting their
8 investment transactions.

9 Beginning at least during March 1966, Northwest Eagle and R. Chinn were representing to Washington
10 investors that Northwest Eagle was offering \$350,000 of its stock for ten cents per share. The terms of the
11 investment were similar to previous offers and sales, i.e. investors were to receive Northwest Eagle stock and BMD
12 Enterprises stock and warrants as part of the investment. Northwest Eagle and R. Chinn continued to represent that
13 Northwest Eagle needed funding to commence marketing and distribution of Good Pace electric vehicles. These
14 vehicles included vehicles that were to be retrofitted by Good Pace such as the GM Geo Metro, Ford Aspire and
15 Escort, in addition to the Eagle, Scat About, and Reliant import vehicles. However, Good Pace ceased producing the
16 Eagle vehicles during 1995 after only about 13 vehicles were produced and only about 40 Scat About vehicles were
17 produced.

18 R. Chinn and A. Chinn suspended sales in Reliant of America stock from April 1996 to June 1996 while
19 continuing to sell Northwest Eagle stock. In July 1996, R. Chinn and A. Chinn resumed selling Reliant of America
20 stock until June 1997. Beginning at least in November 1996, Reliant of America, R. Chinn, and A. Chinn represented
21 to Washington investors that Reliant of America was selling its stock for ten cents per share and that for a \$10,000
22 investment, investors would receive 100,000 shares of Reliant of America stock, 43,000 shares of BMD Enterprises
23 stock deliverable in one year, and 43,000 BMD Enterprises warrants. Reliant of America and R. Chinn represented
24 to Washington investors that in order to exercise the warrants, the investor had to notify W.O. Sullivan, the

1 accountant for Northwest Eagle and Reliant of America and a BMD Enterprises director, then write a check to
2 Northwest Eagle/Reliant of America. Northwest Eagle/Reliant of America would then authorize BMD Enterprises to
3 issue a certificate in the investor's name. Reliant of America, R. Chinn, and A. Chinn gave investors receipts or
4 stock allocation forms reflecting their investment transactions. Reliant of America and R. Chinn represented to
5 Washington investors that investor funds would be used to market and produce Good Pace electric vehicles such as
6 the Reliant three-wheel vehicles, and to retrofit Ford Aspire and Geo Metro with Good Pace electric drive systems.

7 Beginning at least in September 1997, Northwest Eagle and R. Chinn represented to Washington investors
8 that Northwest Eagle, along with BMD Reliant Motors, Ltd., was raising \$2,600,000, which would be used by a
9 BMD Enterprises subsidiary, Mini Motors, to develop a fuel cell and to commence production and sales of Mini
10 Cooper reproduction vehicles called the "Cooper Special" and "Pocket Rocket". Northwest Eagle and R. Chinn later
11 represented that investor funds would be used to develop a manufacturing facility for Mini Motors and for retrofit
12 manufacturing, in addition to research and development of the fuel cell. Northwest Eagle and R. Chinn represented
13 to Washington investors that Northwest Eagle was selling its stock for ten cents per share and that for a \$10,000
14 investment, investors would receive 100,000 shares of Northwest Eagle stock, 46,000 shares of BMD Enterprises
15 stock deliverable in one year, and 46,000 BMD Enterprises warrants. Northwest Eagle and R. Chinn represented to
16 Washington investors that in order to exercise the warrants, the investor had to notify W.O. Sullivan and write a
17 check to Northwest Eagle. Northwest Eagle would then authorize BMD Enterprises to issue a certificate in the
18 investor's name. Northwest Eagle, R. Chinn, and A. Chinn gave investors receipts or stock allocation forms
19 reflecting their investment transactions.

20 Donald Vories began selling Northwest Eagle stock to Washington investors at least in May 1998. R. Chinn
21 continued to sell Northwest Eagle stock. Northwest Eagle and Vories represented to Washington investors that for a
22 \$10,000 investment, investors would receive 100,000 shares of Northwest Eagle stock, 46,000 shares of BMD
23 Enterprises stock deliverable in one year and 46,000 BMD Enterprises warrants. Northwest Eagle and R. Chinn
24 represented to Washington investors that in order to exercise the warrants, the investor had to notify W.O. Sullivan

1 and write a check to Northwest Eagle. Northwest Eagle would then authorize BMD Enterprises to issue a certificate
2 in the investor's name. Northwest Eagle and Vories gave investors receipts or stock allocation forms reflecting their
3 investment transactions. Northwest Eagle and Vories represented to Washington investors that investor funds would
4 be used for research and development and manufacturing of a fuel cell for automobiles.

5 **C. MISREPRESENTATIONS AND OMISSIONS DURING THE OFFERING**

6 Northwest Eagle, Reliant of America, R. Chinn, A. Chinn, and Vories failed to provide a number of Washington
7 investors with any offering materials, including financial statements for Northwest Eagle and Reliant of America.

8 In connection with this offering, Northwest Eagle, Reliant of America, R. Chinn, A. Chinn, and Vories failed
9 to disclose to Washington investors the risk of inadequate capitalization of Northwest Eagle and the risk of
10 shareholder dilution in Northwest Eagle.

11 In connection with this offering, at least between August 1994 and March 1996, Northwest Eagle and R.
12 Chinn represented to Washington investors that the BMD Enterprises warrants would be held by investors in their
13 own name about one year after the investment. In fact, Northwest Eagle could not transfer the BMD Enterprises
14 warrants to investors because the warrants acquired by Northwest Eagle in the "Private Placement" transactions were
15 not transferable, a fact which Northwest Eagle and R. Chinn failed to disclose to Washington investors.

16 In connection with this offering, Northwest Eagle, R. Chinn, and A. Chinn represented R. Chinn to be a
17 successful businessman. In some cases, Northwest Eagle and R. Chinn gave Washington investors resumes for R.
18 Chinn and A. Chinn. However, Northwest Eagle, R. Chinn, and A. Chinn failed to disclose to Washington investors
19 that R. Chinn and A. Chinn filed for Chapter 13 bankruptcy in 1985, which was dismissed in 1991, and that R. Chinn
20 and A. Chinn filed for Chapter 7 bankruptcy in 1992, which was discharged in 1992.

21 Initially in the connection with this offering, Northwest Eagle and R. Chinn falsely led some Washington
22 investors to believe that Northwest Eagle owned the electric vehicles and failed to disclose to Washington investors
23 that Northwest Eagle would merely be the marketing agent for the electric vehicles. At that time, Northwest Eagle,
24

1 R. Chinn, and A. Chinn also did not disclose to investors that their funds would be transferred to BMD Enterprises to
2 purchase BMD Enterprises stock and warrants.

3 In connection with this offering, R. Chinn and A. Chinn represented to Washington investors that Northwest
4 Eagle and Reliant of America possessed the “exclusive marketing rights” to all vehicles developed and produced by
5 Good Pace. However, R. Chinn and A. Chinn failed to disclose to Reliant of America investors which entity in fact
6 owned these “exclusive marketing rights”, i.e. Northwest Eagle. In addition, Northwest Eagle, R. Chinn, and A.
7 Chinn failed to disclose to investors that other individuals and entities were conducting marketing efforts for BMD
8 Enterprises and Good Pace in Northwest Eagle’s “exclusive” territory.

9 In connection with sales in this offering occurring at least beginning in March 1996, Northwest Eagle, R.
10 Chinn, and A. Chinn failed to disclose to Washington investors that Good Pace ceased producing Eagle vehicles
11 during 1995 and that only about 13 Eagle vehicles were produced.

12 In connection with this offering, at least beginning in September 1995 Northwest Eagle, R. Chinn, and A.
13 Chinn made representations to Washington investors regarding projected sales of various electric vehicles.
14 Northwest Eagle had published the same sales projections in prior years. However, Northwest Eagle and R. Chinn
15 failed to disclose to Washington investors that Northwest Eagle had not fulfilled its sales projections in prior years.
16 In addition, Northwest Eagle, R. Chinn, A. Chinn failed to disclose to Washington investors the operating history of
17 Northwest Eagle. For example, Northwest Eagle and R. Chinn failed to disclose to Washington investors that other
18 Good Pace vehicles to be marketed by Northwest Eagle had been only produced in small quantities and that
19 production of certain vehicles had ceased with few or no sales.

20 In connection with this offering, Northwest Eagle, R. Chinn, A. Chinn, and Vories failed to disclose to
21 Washington investors the risk that because Northwest Eagle could only sell Good Pace products, Northwest Eagle
22 might be limited in its sales and products and that Northwest Eagle might not have a product to market, if for
23 example, Good Pace does not produce a marketable product or cannot finance its operations.

1 In connection with this offering, Northwest Eagle, R. Chinn, A. Chinn, and Vories represented to
2 Washington investors that there was little or no risk in the investment because investors would receive BMD
3 Enterprises stock. Northwest Eagle, R. Chinn, and Vories represented to other Washington investors that investors
4 would realize a return on their investment because the BMD Enterprises stock would increase substantially,
5 comparable to Microsoft stock or Ballard Power Systems, Inc. stock, which is a Canadian company that develops and
6 sells fuel cell products. However, Northwest Eagle, R. Chinn, and Vories failed to disclose risks that might prevent
7 BMD Enterprises stock from increasing substantially such as developmental and production risks, intellectual
8 property protection risks, and competition risk.

9 In connection with this offering, Northwest Eagle and Vories represented to Washington investors that BMD
10 Motors, a subsidiary of BMD Enterprises, developed “breakthrough” technology, called the “BMD Electro-Cell
11 Motor Drive”, in the area of fuel cells which would advance commercialization of consumer automobiles with fuel
12 cell drive systems. However, Northwest Eagle and Vories failed to disclose to Washington investors that BMD
13 Enterprises lacked funds to develop a prototype and to commercially produce the “BMD Electro-Cell Motor Drive”.

14 IV.

15 THE OFFERING BY NORTHWEST RELIANT

16 A. REPRESENTATIONS DURING THE OFFERING

17 During June and July 1997, Northwest Reliant and R. Chinn represented to Washington investors that
18 Northwest Reliant, a subsidiary of Northwest Eagle and Reliant of America, was formed to facilitate financing of \$2.6
19 million for Mini Motors’ operations. Northwest Reliant and R. Chinn represented to Washington investors that Mini
20 Motors would engage in the production, sale, and distribution of Mini Cooper reproductions, which would be available
21 with gasoline engines and the Good Pace “Certified Electric Drive System”. Northwest Reliant and R. Chinn
22 represented to Washington investors that Mini Motors required funding to commence production, marketing, and sales
23 of vehicles immediately. Northwest Reliant and R. Chinn represented to Washington investors that Northwest Eagle and
24 Reliant of America were the “Exclusive Marketing” agents for all products produced by Mini Motors and Good Pace.

1 Between June and July 1997, Northwest Reliant and R. Chinn sold approximately \$149,250 in Northwest
2 Reliant convertible promissory notes to about 15 investors, five of whom are Washington residents. The Northwest
3 Reliant promissory notes have a 15% annual interest rate and mature in two years. The promissory notes are renewable
4 at the holder's option. Northwest Reliant and R. Chinn represented to Washington investors that Northwest Eagle,
5 Reliant of America, and Mini Motors guaranteed the promissory notes.

6 Northwest Reliant and R. Chinn represented that the promissory notes were convertible into BMD Enterprises
7 stock. In some cases, Northwest Reliant and R. Chinn represented to Washington residents that upon conversion,
8 warrants would be issued equal to the number of BMD Enterprises stock issued. These warrants were to expire in two
9 years and would be exercisable at the same price as the conversion price during the first year and at 1.15% of the
10 conversion price during the second year. In other cases, Northwest Reliant and R. Chinn represented to Washington
11 residents that at the time of conversion, the note-holder will receive BMD Enterprises stock equal to 20% of the face
12 amount of the note and two year warrants equal to 40% of the face amount of the notes.

13 **B. MISREPRESENTATIONS AND OMISSIONS**

14 In connection with this offering, Northwest Reliant and R. Chinn represented to some investors that the notes
15 were convertible to shares of BMD Enterprise stock at any time after issuance at a discount of 25% of the market price
16 of BMD Enterprises stock at the time of conversion. However, Northwest Reliant and R. Chinn failed to disclose to
17 Washington investors that the conversion price of the Northwest Reliant promissory notes to BMD Enterprises stock
18 was subject to a 15-cent minimum (Canadian) purchase price per share.

19 In connection with this offering, Northwest Reliant and R. Chinn failed to disclose to investors the nature of
20 Northwest Reliant's intended business and the source of funds from which Northwest Reliant intended to repay the
21 promissory notes it had issued to investors. Northwest Reliant and R. Chinn failed to provide some investors with
22 financial statements for Northwest Reliant. In addition, Northwest Reliant and R. Chinn represented to Washington
23 investors that Northwest Eagle, Reliant of America, and Mini Motors guaranteed the promissory notes. However,
24 Northwest Reliant failed to provide Washington investors with financial statements for Northwest Eagle, Reliant of

1 America and Mini Motors to determine whether these companies were adequately capitalized to repay the promissory
2 notes.

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5 **C. SALES OF UNREGISTERED SECURITIES**

6 Northwest Reliant did not register the offer and sale of Northwest Reliant convertible promissory notes with the
7 Securities Division. In addition, Northwest Reliant did not file any claims of exemption from securities registration with
8 the Securities Division.

9 **V.**

10 **REGISTRATION STATUS OF BROKER-DEALERS AND SALESPERSONS**

11 Northwest Eagle, Reliant of America, Northwest Reliant, Roger Chinn, Arlene Chinn, and Donald Vories,
12 are not currently registered as securities broker-dealers or salespersons in the state of Washington and have not
13 previously been so registered.

14 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

15 **CONCLUSIONS OF LAW**

16 **I.**

17 **SECURITIES**

18 The offers and sales Northwest Eagle stock, royalty interests, receipts, and subscription agreements, Reliant of
19 America stock, receipts, and subscriptions agreements, and BMD Enterprises stock and warrants, described in
20 paragraphs I through V of the Tentative Findings of Fact constitute the offer and sale of a security as defined in RCW
21 21.20.005(10) and (12): stock, notes, warrants, receipts for stocks and warrants, rights to purchase stock, subscription
22 agreements, or investment contracts.

23 **II.**

1 **REGISTRATION OF SECURITIES**

2 Respondents, Northwest Eagle, Reliant of America, Northwest Reliant have each violated RCW 21.20.140
3 because no registration for the offers and sales of the securities described in paragraphs I through V of the Tentative
4 Findings of Fact was on file with the Administrator of Securities, state of Washington and no exemptions appear to have
5 been available.

6 **III.**

7 **MISLEADING FILINGS**

8 Northwest Eagle has violated RCW 21.20.350 as described in paragraph III of the Tentative Findings of Fact by
9 making or causing to be made, in documents filed with the Securities Division, statements which were, at the time and in
10 light of the circumstances under which they were made, false or misleading in material respects.

11 **IV.**

12 **REGISTRATION OF BROKER-DEALERS AND SALESPERSONS**

13 Respondents, Northwest Eagle, Reliant of America, Northwest Reliant have each violated RCW 21.20.040 by
14 offering and selling said securities while not registered as a securities broker-dealer or salesperson in the state of
15 Washington.

16 **V.**

17 **ANTI-FRAUD PROVISION**

18 The offer and sale of the securities described in paragraphs I through V of the Tentative Findings of Fact were
19 made in violation of RCW 21.20.010 because as described in paragraphs I through V of the Tentative Findings of Fact,
20 Respondents Northwest Eagle, Reliant of America, Northwest Reliant each either made untrue statements of material
21 fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under
22 which they were made, not misleading.

23 **CONSENT ORDER**

24
25 CONSENT ORDER AND ORDER
26 VACATING SDO 42 – 99 AS TO NORTHWEST
27 EAGLE, INC., RELIANT OF AMERICA, INC. AND
NORTHWEST RELIANT, INC.

1 The Securities Division and Northwest Eagle, Inc., Reliant of America, Inc., and Northwest Reliant, Inc.
2 have agreed upon a basis for resolution of the above matters found and concluded in SDO 42 – 99, STATEMENT
3 OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND DESIST.

4 Based upon the foregoing, NOW, THEREFORE, IT IS AGREED AND ORDERED that Northwest Eagle,
5 Inc., Reliant of America, Inc., Northwest Reliant, Inc., and their agents, employees, affiliates and successors, shall
6 each cease and desist from offering and selling securities in any manner in violation of RCW 21.20.140, the
7 securities registration section of the Securities Act of Washington.

8 IT IS FURTHER AGREED AND ORDERED that Northwest Eagle, Inc., Reliant of America, Inc.,
9 Northwest Reliant, Inc., and their agents, employees, affiliates, and successors, shall each cease and desist from
10 acting as an unregistered securities broker-dealer or salesperson in violation of RCW 21.20.040, the broker-dealer
11 and securities salesperson registration section of the Securities Act of Washington.

12 IT IS FURTHER AGREED AND ORDERED that Northwest Eagle, Inc., Reliant of America, Inc.,
13 Northwest Reliant, Inc., and their agents, employees, affiliates, and successors, shall cease and desist from
14 offering and selling securities in any manner in violation of RCW 21.20.010, the anti-fraud provisions of the
15 Securities Act of Washington.

16 IT IS FURTHER AGREED AND ORDERED that Northwest Eagle, Inc. and its agents, employees,
17 affiliates, and successors, shall each cease and desist from making, or causing to be made, misleading filings with
18 the Securities Division in violation of RCW 21.20.350, the section of the Securities Act of Washington that
19 prohibits misleading filings.

20 IT IS FURTHER AGREED AND ORDERED Northwest Eagle, Inc., Reliant of America, Inc., Northwest
21 Reliant, Inc., or any of their affiliates or successors, will not claim or rely on any of the exemptions from
22 registration under RCW 21.20.310(1), (9), (11), (13), or (17) for a period of three (3) years from the date of entry
23 of this CONSENT ORDER unless Northwest Eagle, Inc., Reliant of America, Inc., Northwest Reliant, Inc., or any
24

1 of their affiliates or successors obtain written permission from the Securities Administrator prior to any offer of
2 securities undertaken in reliance upon any of the aforementioned exemptions.

3 IT IS FURTHER AGREED that the Securities Division may notify Northwest Eagle, Inc., Reliant of
4 America, Inc., or Northwest Reliant, Inc. investors concerning the matters contained herein.

5 IN CONSIDERATION OF THE FOREGOING, Northwest Eagle, Inc., Reliant of America, Inc., and
6 Northwest Reliant, Inc. each withdraw its request for hearing and each waive its right to a hearing on this matter,
7 and the Securities Division hereby vacates the STATEMENT OF CHARGES AND NOTICE OF INTENTION
8 TO ENTER ORDER TO CEASE AND DESIST SDO 42 – 99 as to Northwest Eagle, Inc., Reliant of America,
9 Inc., and Northwest Reliant, Inc., except to the extent that the allegations and conclusions in that Statement of
10 Charges have been incorporated herein.

11 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

12 SIGNED this _____ day of _____, 2000.

13 Signed by:

14
15 _____
16 Charles White, President of Northwest Eagle,
17 Inc., Reliant of America, Inc. and Northwest
18 Reliant, Inc.

19 ENTERED this _____ of _____, 2000.

20 _____
21 Deborah R. Bortner
22 Securities Administrator

23 Approved by:

24 Presented by:

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Michael E. Stevenson
Chief of Compliance

Marlo DeLange
Securities Examiner